

**FRANCHISE TAX BOARD
MINUTES
DECEMBER 7, 2005 MEETING**

The Franchise Tax Board met in open session at 1:30 p.m. at the State Board of Equalization, 450 N Street, Hearing Room 121, Sacramento, California. Present were Hon. Steve Westly, Hon. John Chiang, and Hon. Michael C. Genest.

Franchise Tax Board

Staff Participating: Will Bush, John W. Davies, Patrick Kusiak, Brian Putler, Anne Miller, Debbie Langsea, Debbie Newcomb, Mark Shijo, Ben Miller, and Colleen Berwick.

Others Participating: Lenny Goldberg, California Tax Reform Associates; Gina Rodriguez, Spidell Publishing; Teresa Casazza, California Taxpayers Association; Richard E. V. Harris, Attorney at Law; Chris Micheli, California Strategies & Advocacy; Kimberly M. Reeder, McDermott, Will & Emery; and William Lowell.

Following announcement of Closed Session Agenda Item A (Personnel Matters) by Chair Westly, the Board met in Closed Session with respect to that item pursuant to Government Code section 11126. Upon conclusion of the Closed Session, the Board reconvened in Open Session and announced that another meeting would be scheduled for the earliest date after January 10, 2006, as schedules permitted.

Item 1. – Approval of Board Minutes

The minutes of the September 7, 2005, Franchise Tax Board meeting were unanimously approved (3-0).

Item 2. – Federal Tax Reform Proposals

The Board voted (2-0) (Mr. Genest abstaining) to adopt a Resolution opposing certain aspects of recent proposals to reform federal tax law.

The Board heard from the following person regarding this Agenda Item:

Teresa Casazza, California Taxpayers' Association

Item 3. – Tax Gap

The Board received a staff report on the several tax gap initiatives.

The Board heard from the following person regarding this Agenda Item:

Teresa Casazza, California Taxpayers' Association

Item 4. – Amnesty

a. Administrative Matters

The Board received a staff report on the Processing of Audits/Protests for Protective Claims.

b. Legislative Matters

1. Proposal MR 05-32 – Amnesty Penalty Relief for Taxpayers that Made Protective Claim Payments.

The Board approved this proposal 2-0 (Mr. Genest abstaining).

2. Proposal MR 05-33 – Exception to the Amnesty Penalty for Taxpayers Under FTB Audit, Protest, Appeal, Settlement Negotiation, or Litigation at the Start of Amnesty.

The Board took no action on this proposal.

The Board heard from the following members of the public regarding these Agenda Items:

Chris Micheli, California Strategies & Advocacy
Richard E. V. Harris, Attorney at Law
Teresa Casazza, California Taxpayers' Association
Kimberly Reeder, McDermott, Will & Emery

Item 5. – Legislative Proposals

The Board voted 2-0 (Mr. Genest abstaining) to approve the following Legislative Proposals:

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| LP 06-04 | Limited Liability Company (LLC) Short Form Cancellation – Allow Annual Tax Refund |
| LP 06-05 | Elimination of Tax Clearance Process and Revise Liability for the Annual and Minimum Franchise Taxes |
| LP 06-06 | Limitation/Exclusions Applied on a Post-Apportionment Basis |
| LP 06-12 | Use of Last Known Address for Mailing Notices |
| LP 06-14 | Repeal of Interest Offset Provision |
| LP 06-16a | Treat Regulated Investment Companies (RICs) and Real Estate Investment (REITs) Similar to Federal Law |
| LP 06-16b | Require Regulated Investment Companies (RICs) and Real Estate Investment Trusts (REITs) to be Treated Similarly to Partnerships for Combined Reporting |

The following Legislative Proposal was withdrawn:

LP 06-1 Abuse of the Child and Dependent Care Expenses Credit

The Board heard from the following members of the public regarding this Agenda Item:

Gina Rodriguez, Spidell Publishing
Teresa Casazza, California Taxpayers' Association

During this Agenda Item, Deputy Controller Marcy Jo Mandel assumed the responsibilities of Hon. Steve Westly as chair.

Item 6. – Regulation Matters

The Board unanimously approved (3-0) the 2006 Rulemaking Calendar.

The Board heard from the following person regarding this Agenda Item:

Teresa Casazza, California Taxpayers' Association

Item 7. – Administrative Matters

Contracts Exceeding \$1 Million – Security Services

The Board unanimously approved (3-0) this contract.

Item 8. – Child Support

The Board received a staff report regarding the Child Support Project.

Item 9. – Executive Officer's Time

Will Bush announced that the Franchise Tax Board has a new look and feel to the FTB Website.

Item 10. – Board Members' Time

There was no discussion under this Agenda item.

Item 11. – Bill of Rights Hearing

See attached Taxpayers' Bill of Rights Hearing, Franchise Tax Board, Minutes, December 7, 2005.

Ms. Mandel announced the remaining agenda for the Closed Session pursuant to Government Code section 11126.3.

The meeting was adjourned at 4:00 p.m.

Board Liaison

Date